



County of Los Angeles

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Chief Administrative Officer

Board of Supervisors
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First District

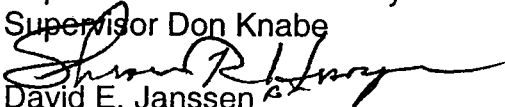
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Fifth District

May 24, 2006

To: Mayor Michael D. Antonovich
Supervisor Gloria Molina
Supervisor Yvonne B. Burke
Supervisor Zev Yaroslavsky
Supervisor Don Knabe
From: 
David E. Janssen
Chief Administrative Officer

SACRAMENTO UPDATE

Senate Budget Subcommittee Actions

The rapid pace of this year's budget process was evidenced by the quick actions taken by the Senate Budget and Fiscal Review Subcommittee No. 3 on Health and Human Services on Thursday and Friday of last week on the following items:

County Costs for Operating Social Services Programs. Adopted on a 2 to 1 vote, placeholder trailer bill language to establish a workgroup to review funding for the actual cost of county administration of human services programs beginning in FY 2007-08. This item was proposed by the California State Association of Counties, the Urban Counties Caucus, and the County Welfare Directors Association (CWDA).

Realignment of Foster Care and Child Welfare Services Funding. Approved on a 2 to 1 vote, \$140 million from the General Fund, instead of Temporary Assistance for Needy Families (TANF) funds, for Foster Care and Child Welfare Services. Adopted placeholder trailer bill language to restrict the use of TANF for Foster Care and Child Welfare Services unless appropriated in the Budget Act or authorized in budget bill language.

Child Welfare Services Workload (SB 2030 Study). Approved on a 2 to 1 vote, \$50 million from the General Fund in FY 2006-07, annualized to \$75 million in FY 2007-08, to protect children's safety and to move toward meeting the goals of

SB 2030 of 1998 to reduce caseloads for social workers. This budget issue is similar to **County-supported AB 2193 (Bass)**.

Transitional Housing Placement Program (THPP). Approved on a 2 to 1 vote, increased funding for THPP by \$4 million from the General Fund above the amount proposed by the Governor, and adopted placeholder trailer bill language to eliminate the county share of cost for the program. This budget issue is similar to **County-supported SB 1576 (Murray)**. The Governor proposes to reduce the County share-of-cost for THPP from 60 percent to 30 percent.

KinGAP. Approved on a 2 to 1 vote, \$8 million from the General Fund to ensure parity of services between KinGAP and Foster Care, and adopted placeholder trailer bill language to extend eligibility for KinGAP assistance to probation youth who have been living with a relative for at least 12 months, have a kinship guardianship established as part of permanency planning, and whose case has been terminated with the juvenile court. **Extension of KinGAP assistance to probation youth is similar to County-supported SB 1982 (Bass).**

Adoptions. Approved on a 2 to 1 vote, an additional \$4 million to hire additional State and County caseworkers to help increase the adoption of hard-to-place foster children. This funding is in addition to the \$12.2 million in the Governor's January Budget.

AB 3632 Special Education Mandate. Approved on a 2 to 1 vote, an additional \$69 million in non-Proposition 98 General Funds for local assistance, but rejected the remainder of the Governor's May Revision proposal. The May Revision proposes to "suspend" the mandate on counties to provide AB 3632 services to special education students, and create a categorical program for county mental health departments to enter into agreements with local education agencies. This issue will go to the Budget Conference Committee.

Both Senators Denise Ducheny and Wesley Chesbro expressed their disappointment that no progress has been made since last year to restructure the AB 3632 program, and that the May Revision proposal was simply "too late in the game" to be thoroughly discussed in public. A representative for the California Mental Health Directors Association told subcommittee members that the stakeholder process, which was part of the Governor's 2005 signing message, should have been started a while back, and that county mental health agencies would not be in a position to enter into agreements with local education agencies by the start of the fiscal year.

CalWORKs. While over the past few years counties have been successful in reducing the caseload for the CalWORKs Program, the State has redirected TANF funds to other

programs such as Child Welfare Services and Foster Care. As a result, counties have experienced significant program reductions because of unfunded costs, like Worker's Compensation, health benefits, increased utility and rent costs, and other program expenditures. The May Revision proposes to further reduce program funding, which could significantly undermine the success of welfare reform and would require service reductions to program participants. Consequently, on May 18, 2006, Senate Subcommittee No. 3 approved on a 2 to 1 vote the Senate Democrat's Plan for Response to TANF Reauthorization. The adopted proposal restores \$150 million in Federal TANF funds back into the CalWORKs program, and reprioritizes \$158 million in existing CalWORKs funds to improve work participation rates, engage families, prevent sanctions, and expand education and training as follows:

- **Enhance Up-Front Engagement:** Redirects \$20 million in TANF from the Governor's proposed Participation Improvement Project and \$10 million in TANF from the proposed TANF Reauthorization reserve to provide a total of \$30 million to encourage innovative engagement strategies.
- **CalWORKs Education, Training, and Employment Collaborative:** Redirects \$25 million from the Governor's proposed TANF Reauthorization reserve to fund collaborative programs that would emphasize activities that meet Federal requirements, but give participants skills that will help them achieve long-term self-sufficiency.
- **CalWORKs in Community Colleges:** Redirects \$9 million from the Governor's proposed TANF Reauthorization reserve to count \$9 million in Community College Proposition 98 funding toward the TANF Maintenance of Effort (MOE).
- **Sanctions Engagement Initiative:** Redirects \$40 million from the Governor's proposed TANF Reauthorization reserve to prevent sanctions by funding counties to engage non-compliant CalWORKs participants through personal contacts before a sanction is imposed. This recommendation is modeled after the County's Department of Public Social Services Gain Sanction Home Visit Outreach Project.
- **CalWORKs Homelessness Prevention and Engagement:** Redirects \$10 million of the Governor's proposed May Revision TANF Reauthorization reserve for CalWORKs Homelessness prevention and support to prevent housing instability as a barrier to participation. This proposal is similar to the **County's co-sponsored legislation AB 2961 (Nuñez)**.

- **Increase Accountability:** Adjusts the Governor's proposal to fund the Pay for Performance Program annually, and clarifies counties' responsibility for potential Federal penalties.
- **Restore Basic CalWORKs Program to the FY 2004-05 Level:** Rejects the Governor's proposal and restores \$140 million for county CalWORKs programs to the actual FY 2004-05 spending level. This action requires shifting TANF funding out of Child Welfare Services and Foster Care to restore county funding. Child Welfare Services and Foster Care will be back-filled with State General Funds.
- **Shift CalWORKs Exempt Cases:** Funds CalWORKs exempt cases with non-MOE General Fund. Adopted placeholder trailer bill language to express legislative intent that these cases remain a high priority for engagement in CalWORKs work activities. This allows the use of other countable expenditures to meet the MOE requirement.
- **Establish a CalWORKs County Peer Review Program:** Redirects \$1.5 million from the Governor's proposed TANF Reauthorization reserve for a CalWORKs county peer review program to identify and share best practices that enhance participation and engagement.
- **Improve Research and Data:** Redirects \$2.5 million from the Governor's proposed TANF Reauthorization reserve for State staff and contract funding for data improvement research, analysis, and reporting to understand caseload components, trends, and dynamics.
- **TANF Regulation Plans:** Maintains \$15 million of the Governor's proposed TANF Reauthorization reserve for automation and implementation activities related to pending June 30, 2006 Federal regulations.

During the discussion, Cliff Allenby, Interim Director of the California Department of Social Services, objected to the Senate's recommendations stating that they were premature due to pending Federal regulations scheduled to be released on June 30, 2006. The Department of Finance concurred with Mr. Allenby's comments. Mr. Allenby mentioned that the Administration will continue meeting with key stakeholders to explore options and identify the best policies and fiscal approaches that the State should take in responding to increased work participation requirements as required by the Federal Deficit Reduction Act. Bruce Wagstaff of Sacramento County's Social Services Department represented the CWDA and applauded the Senate's plan.

Subcommittee Chair, Senator Denise Ducheny, stated that the best approach was to address California's response to TANF Reauthorization in the State budget process, as they plan to approve the budget on-time.

Assembly Budget Subcommittee Actions

On May 22, 2006, Assembly Budget Subcommittee No. 1 on Health and Human Services considered a number of issues of interest to the County including:

Trauma Care Funding. The Subcommittee voted 3 to 2 to approve \$15 million for trauma care centers, and adopted placeholder trailer bill language to obtain Federal matching funds. Since the Senate did not take any action on this issue, this item will be addressed as part of the Budget Conference Committee deliberations.

Public Health - Surge Capacity. Assembly Budget Subcommittee No. 1 discussed the Governor's May Revision proposal to provide an additional \$400 million for public health emergencies, and to increase patient care capacity (surge capacity) in hospitals as recommended by the Federal Centers for Disease Control and Prevention, and the Health Resources and Services Administration (HRSA). Overall, the Subcommittee voted 3 to 2 to concur with the Senate Budget Subcommittee No. 3 actions which reduced the Governor's May Revision proposal from \$400.4 million to \$213.7 million in FY 2006-07. Attachment I provides a summary of the actions taken by both houses.

In addition to the actions included in Attachment I, both Subcommittees rejected the following:

- Trailer bill language to require hospitals to participate in local emergency planning because approximately 77 percent of hospitals already work together.
- Budget bill language that would enable the State Department of Health Services to promulgate emergency regulations regarding hospital licensure and certification during emergency situations.
- Budget bill language that would preclude the use of competitive bidding by exempting both the State Department of Health Services and the State Emergency Medical Services Authority from the public contract code. The Subcommittee adopted language only to allow for the purchase of antiviral drugs.

Subcommittee Chair, Assembly Member Hector De La Torre, stated that he wanted to "punt this issue to the Big 5." He explained that the Administration could have conducted stakeholder meetings across the State over the past few months, and that

the State should have released its pandemic influenza preparedness plan by now. Assembly Member Roger Niello (R-Fair Oaks) expressed his view that this was a major issue and introduced a motion for the May Revision proposal to be placed before the Budget Conference Committee. The motion was rejected by a 3 to 2 vote. Although this issue is not expected to go to budget conference, it could still ultimately end up there.

In addition, the Assembly Subcommittee unanimously approved the Legislative Analyst's Office (LAO) recommendation to send the proposal to increase licensing and certification fees for public and private hospitals, and other health facilities, including clinics, to the Budget Conference Committee. Numerous representatives for hospitals, health agencies, and clinics testified in opposition to the fee increase because it would add to their financial constraints. The LAO expressed concerns about the appropriateness of the proposed fee levels, equity in distributing licensing and certification costs among providers, and the impact that the fee increase would have on certain types of health facilities.

Medi-Cal Citizenship Documentation Requirement. The Subcommittee voted unanimously to conform to the Senate Budget Subcommittee No. 3 action to adopt placeholder trailer bill and budget bill language to implement the requirements of the Federal Deficit Reduction Act for documenting the citizenship of Medi-Cal applicants and beneficiaries. The California State Association of Counties and the California Welfare Directors Association supported the budget bill language and requested additional time to carefully craft trailer bill language with the Administration and constituency groups. Our Sacramento advocates testified in support of these recommendations.

Early Repayment of Proposition 42 Loans. On May 23, 2006, Assembly Budget Subcommittee No. 5 on Information Technology/Transportation approved the Governor's Budget proposal for the early repayment of \$920 million from the FY 2004-05 Proposition 42 Loan with the proviso that \$122 million will be paid to the Public Transportation Account. This contrasts with the actions taken last week by the Senate Budget & Fiscal Review Subcommittee No. 4 which reduced the Governor's repayment proposal by half. The net effect of the Subcommittee action includes proportionate reductions in funding to local streets and roads, the Traffic Congestion Relief Fund, and the State Transportation Improvement Program.

Pursuit of County Position on Legislation

SB 230 (Figueroa), as amended on May 15, 2006, is an urgency measure that would repeal the sunset date of July 1, 2006 of the Business and Professions Code that

authorizes the Los Angeles County Department of Agricultural Commissioner/Weights and Measures (ACWM) and the Orange County Agricultural Commissioner to charge a \$5 fee for each structural fumigation conducted. SB 230 is similar to SB 1848 (Committee on Business, Professions and Economic Developments), which the County supported via Sacramento Update on April 25, 2006. However, SB 1848 was amended to address barbering and cosmetology regulations; therefore, we changed our support position to no position.

According to ACWM, the money collected from this fee funds inspections and oversight of the fumigation industry. Since 1994, ACWM and the Orange County Agricultural Commissioner have participated in the Structural Fumigation Inspection Program (SFIP) which was developed in cooperation with the Pest Control Operators of California. ACWM indicates that SFIP has been a model of cooperation between industry and government, and the funding generated by the fee has significantly increased the number of inspections per year in Los Angeles County.

Additionally, ACWM indicates that prior to the implementation of the SFIP, Los Angeles County had 29 fumigation-related deaths, but since the program started in 1994, there have only been four fumigation-related deaths, and none since December 1999. The SFIP has raised the level of enforcement, making managers and employees of structural pest control companies more aware of their actions in insuring the safe use of pesticides. Through increased surveillance and enforcement of safety standards, health risks to workers and residents associated with improper use of these lethal fumigants have been significantly reduced, providing greatly increased protection to the general public, pest control operators, and the environment.

ACWM recommends support for SB 230 because the fees fund a program that enhances fumigation safety, and we concur. Support for SB 230 is consistent with Board policy to support funding to regulate pesticides, and to ensure the safety of workers, the public and the quality of the environment. **Therefore, our Sacramento advocates will support SB 230.** SB 230 is supported by the Pest Control Operators of California and the California Department of Pesticide Regulation. There is no registered opposition on record.

Status of County-Interest Legislation

County-supported AB 1979 (Bass), which would waive fees for conducting State criminal background checks for volunteer mentors of foster children, passed the Assembly Appropriations Committee on May 17, 2006 by a vote of 15 to 0, and now proceeds to the Assembly Floor.

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County-supported SB 1323 (Cedillo), which would provide \$350,000 in State funding over five years for a probation officer in a prototype mental health court in Los Angeles County, was placed on the Senate Appropriations Committee Suspense File on May 22, 2006, because of the potential cost impact to the State's General Fund. The Suspense File will be taken up on Thursday, May 25, 2006.

County-supported SB 1773 (Alarcon), which would augment the Emergency Medical Services Fund by allowing counties to collect an additional \$2 penalty assessment for every \$10 penalty for all criminal offenses and moving violations, passed the Senate Appropriations Committee on May 22, 2006 by a vote of 7 to 5, and it now proceeds to the Senate Floor.

We will continue to keep you advised.

DEJ:GK
DW:JF:MR:pcm

Attachment

c: All Department Heads
Legislative Strategist
Local 660
Coalition of County Unions
California Contract Cities Association
Independent Cities Association
League of California Cities
City Managers Associations
Buddy Program Participants

| Health Care Surge Capacity Needs in California | | |
|---|--|--|
| Component | Governor's May Revision Proposal | Senate and Assembly Subcommittee Actions |
| Develop guidance and standards for hospitals | \$5.224 million (\$5 million consultant) \$224,000 for State DHS staff | Approved the May Revision proposal |
| Hire hospital staff and require hospitals to work with local health jurisdictions | \$14.5 million General Fund | Rejected the May Revision proposal including trailer bill language because over 77% of hospitals work together |
| Update hospital licensing regulations | \$424,000 General Fund | Approved funding, but using Federal HRSA funds |
| Purchase Mobile Field Hospitals | \$12.3 million General Fund for 2 hospitals | Approved \$18.3 million General Fund for 3 hospitals |
| Purchase Antiviral Drugs | \$53.3 million General Fund and Budget Bill Language for sole source contracting | Approved the May Revision Proposal |
| Purchase 7,183 ventilators, which would double the State's amount | \$99.8 million General Fund | Approved \$33 million General Fund to purchase 2,395 ventilators for a total of 9,578 ventilators |
| Purchase supplies for Alternate Care Sites | \$164.4 million General Fund | Approved \$78.2 million General Fund to purchase one-half. |
| Purchase masks for health care workers | \$50.5 million General Fund | Approved \$25.25 million General Fund to purchase one-half |
| TOTAL RECOMMENDED | \$400.4 million General Fund | \$213.7 million General Fund |
| General Fund | \$400 million | \$179.7 million |
| Licensing and Certification Fund | \$424,000 | \$0 |
| Additional Federal Funds from HRSA | \$0 | \$34 million (\$20 million new & \$14 million existing) |